

K-12 EDUCATION

6110 Department of Education

Funding for California's public elementary and secondary education system is administered predominantly through the California Department of Education (CDE), under the direction of the Superintendent of Public Instruction and the State Board of Education. The public elementary and secondary education system educates approximately 5.9 million students enrolled largely in kindergarten through 12th grade. The primary goal of the Superintendent and the CDE is to provide policy direction to local school districts and to work with the educational community to improve academic performance.

At the local level, K-12 education is the responsibility of nearly 1,000 school districts, 58 county offices of education, and more than 9,300 schools. Approximately 307,800 teachers are employed in public schools statewide.

Total K-12 Funding (All Funds)

The 2007-08 Governor's Budget proposes \$68.6 billion in total funding for K-12 education, which reflects an increase of \$1.8 billion (2.7 percent) above 2006-07 revised budget. The Department of Finance estimates that average per-pupil funding from all sources (state, local, federal, other) totals \$11,584 in 2007-08, an increase of \$344 above the \$11,240 per-pupil amount in 2006-07.

Table 1					
K-12* Summary, All Funds	Actual	Revised	Proposed		Percent
<i>(dollars in millions)</i>	2005-06	2006-07	2007-08	Amount	Change
K-12 Proposition 98:					
State General Fund	\$34,582	\$36,658	\$36,851	\$ 193	0.5
Local Property Taxes	11,959	12,353	13,595	1,242	10.1
Subtotal, Proposition 98	(\$46,541)	(\$49,011)	(\$50,446)	(\$1,435)**	(2.9)
Other K-12 Funds:					
State General Fund (Non-98):					
Teacher Retirement	\$999	\$876	\$966	\$ 91	10.4
Bond Debt Service	1,681	1,857	2,201	345	18.6
Other Programs	63	643	1,078	435	67.7
State Lottery Fund	1,036	1,012	1,012	0	0
Federal Funds	6,931	7,113	6,568	-545	-7.7
Local Funds					
Debt Service	1,660	1,660	1,660	--	--
Other	4,584	4,603	4,623	20	0.4
Subtotal, Other Funds	(\$16,954)	(\$17,763)	(\$18,109)	(\$346)	(1.9)
Total , All Funds	\$63,495	\$66,774	\$68,555	-\$1,781	2.7
K-12 ADA	5,964,108	5,940,989	5,917,948	-23,041	-0.39
Per Pupil Funding, All Funds	\$10,646	\$11,240*	\$11,584*	\$344	3.1

* Reflects the funding shift of \$627 million in funding for Home-to-School Transportation from Proposition 98 to the Public Transportation Account per the Governor's proposal. Without the shift, the K-12 Proposition 98 increase would total \$2.1 billion (4.2 percent).

** Includes one-time funds for prior year Proposition 98 settle-up.

As reflected in Table 1, the \$68.6 billion in total funds for K-12 education can be summarized as follows: \$42.1 billion (61.4 percent) in state funds (General Fund and State Lottery Fund); \$19.9 billion (29 percent) in local funds (property taxes and other local revenues); and \$6.6 billion (9.6 percent) in federal funds.

The budget reflects a decrease of \$545 million (7.7 percent) in federal funds, although this figure will be updated at May Revise to reflect new amounts in the federal Labor, Health and Human Services (HHS), and Education appropriations bill for federal fiscal year 2007, once it is passed by Congress and signed by the President.

Proposition 98

Total Proposition 98 funding for K-14 education in 2007-08 is proposed at \$56.8 billion, an increase of \$1.8 billion, or 3.3 percent, over the revised 2006-07 budget. (See Table 2) The Administration states that this level of funding meets the Proposition 98 minimum funding guarantee in 2007-08, as currently estimated by the Department of Finance.

Table 2

K-14 Proposition 98

Appropriations Summary

(dollars in thousands)

	2005-06	2006-07	Proposed 2007-08	\$ Change	% Change
<i>Distribution of Prop 98 Funds</i>					
Department of Education	\$46,485,854	\$48,945,279	\$50,385,924*	\$1,440,645	2.9
Community Colleges	5,472,403	5,897,062	6,274,142	377,080	6.4
Corrections & Rehabilitation**	45,780	52,964	54,250	1,286	2.4
State Special Schools	42,567	44,533	44,253	-280	-0.6
Commission on Teacher Credentialing	31,814	49,881	39,881	-10,000	-20.0
Dept. of Developmental Services	10,217	9,121	8,677	-444	-4.9
Dept. of Mental Health	18,400	13,400	18,400	5,000	37.3
School Facilities Aid Program	7,841	5,766	5,015	-771	-13.3
Am. Indian Education Centers	4,698	4,343	4,518	175	4.0
Total	\$52,119,574	\$55,022,369	\$56,835,060	\$1,812,691	3.3

Prop 98 Fund Source

State General Fund	\$38,358,017	\$40,812,023	\$41,189,857	\$377,834	0.9
Local Property Taxes	13,761,557	14,210,346	15,645,203	1,434,857	10.1
Total	\$52,119,574	\$55,022,369	\$56,835,060	\$1,812,691	3.3

K-12 Enrollment-ADA***	5,964,108	5,940,989	5,917,948	-23,041	-0.39
------------------------	-----------	-----------	-----------	---------	-------

<u>K-12 Funding per ADA****</u>	<u>\$7,803</u>	<u>\$8,293</u>	<u>\$8,569</u>	<u>\$276</u>	<u>3.3</u>
---------------------------------	----------------	----------------	----------------	--------------	------------

* Includes one-time funds for prior year Proposition 98 settle-up.

** Division of Juvenile Justice. (Formerly California Youth Authority.)

*** Average Daily Attendance

**** Includes one-time funds for prior year Proposition 98 settle-up. Without these one-time funds, K-12 per ADA funding totals would equal \$8,250 in 2006-07 and \$8,524 in 2007-08.

The Governor proposes to shift \$627 million in funding for the Home-to-School Transportation program – administered by the California Department of Education – from the Proposition 98 General Fund to the Public Transportation Account. In making this shift, the Administration proposes to rebench the Proposition 98 minimum guarantee downward by \$627 million.

Of the \$56.8 billion in Proposition 98 spending for K-14 education in 2007-08, \$50.4 billion is appropriated to the Department of Education for K-12 schools; \$6.3 billion for Community Colleges; and \$175 million for all other state education agencies.

General Funds comprise \$41.2 billion (72.5 percent) of total Proposition 98 funding; property taxes comprise the remaining \$15.6 billion (27.5 percent).

The number of students in K-12 schools, as measured by unduplicated average daily attendance (ADA), is estimated to decrease by 23,041 in 2007-08, a decrease of 0.39 percent over the revised 2006-07 budget. Average per-pupil Proposition 98 funding is estimated to be \$8,569 in 2007-08, an increase of \$276 (3.3 percent) above the revised 2006-07 level of \$8,293.

Governor's Strategic Growth Plan for Education

Last January, the Governor proposed a 20-year Strategic Growth Plan to rebuild California's infrastructure system as a part of the 2006-07 budget proposals. This comprehensive plan covered K-12 and higher education, as well as transportation, air quality, water, public safety, courts and other public service infrastructures. The Governor and Legislature subsequently agreed on a comprehensive general obligation bond package, contained in four separate ballot measures that were approved by statewide voters in November 2006. One of these four measures – Proposition 1D – provides \$10.4 billion in new facility bonds for K-12 schools and higher education systems.

The Governor's proposes additional investments in California's infrastructure as a part of the 2007-08 budget proposals in order to further implement his Strategic Growth Plan. Overall, the Governor proposes \$29.4 billion in new bonds in 2008 and 2010. Of this amount, \$23.1 billion or nearly 79 percent is set-aside for expanding or improving education facilities -- \$11.6 billion for K-12 education and \$11.5 billion for higher education. The remaining portion of these bond proposals includes \$4 billion for water safety, \$2 billion for judiciary, and \$300 million for other public service infrastructure.

The summary below lays out the next phase of the Governor's Strategic Growth Plan 2008-2016 for K-12 Education and Higher Education. Of the \$11.6 billion in new K-12 facility bonds proposed by the Governor in 2008 and 2010, \$3.7 billion is provided for modernization; \$3.9 billion for new construction; \$2 billion for charter schools and \$2 billion for career technical education. These funds are estimated by the Administration to provide 22,100 new classrooms and 40,300 classroom renovations.

Table 3
Summary of Governor's Strategic Growth Plan for Education
General Obligation Bond Proposals
2006-2016
(in billions)

	Approved 2006*	Proposed 2008	Proposed 2010	Proposed Total
K-12 Education				
Modernization**	\$3.3	\$1.539	\$2.13	\$
New Construction**	1.9	2.931	1.0	
Overcrowding Relief	1.0			
Charter Schools	0.5	1.0	1.0	
Career-Technical Education	0.5	1.0	1.0	
High Performance Schools***	0.1			
Joint Use Facilities	.03			
Total K-12 Education	\$7.3	\$6.5	\$5.1	\$11.6
Higher Education				
UC/Hastings****	\$0.9	\$1.725	\$1.035	
CSU	0.7	1.725	1.035	
CCC	1.5	3.75	2.25	
Total Higher Education	\$3.1	\$7.2	\$4.320	\$11.5
Total Bond Proposal	\$10.4	\$13.7	\$9.4	\$23.1

* Proposition 1D was approved by statewide voters in November 2006.

** Of new construction and modernization funds, up to \$200 million is available for small high schools and \$200 million is available for seismic safety projects.

*** Projects that meet performance criteria for energy, water, natural lighting, air quality, use of recycled materials, etc.

**** Requires \$200 million to be used for capital improvements to expand/enhance medical education programs with an emphasis on telemedicine. Includes \$100 million in lease revenue bonds.

The Governor proposes significant changes to the current school facility bond program as a part of the 2008 and 2010 bond proposals for K-12 schools. Specifically, the Governor proposes to revise the current state-local cost sharing ratio for *new construction* funds from the current 50 percent state/50 percent local to 40 percent state/60 percent local. The Governor also proposes to change the state-local ratio for *modernization* funds from the current 60 percent state/40 percent local to 40 percent state/60 percent local. These changes increase the local share of costs and reduce the state's share.

The Governor would maintain current 50 percent state/50 percent local cost sharing ratios for new charter school funding and career-technical education funding proposed in the 2008 and 2010 bond acts.

The Governor proposes another policy change to the school bond program as a part of the 2008 and 2010 bond act proposals that would limit state funding for site acquisition for new construction projects to the acreage that meets 150 percent of the Department of Education's pupil density standard.

The Governor also proposes \$100 million in facility bond funds for the State Special Schools – Schools for the Deaf (Freemont & Riverside) and School for the Blind (Freemont) – as a part of the \$300 million bond proposal in 2008 for Other Public Infrastructure.

Highlights

Cost-of-Living Adjustments (COLAs) Fully Funded. The budget provides **\$1.9 billion** to fully fund COLAs for K-12 revenue limit and categorical programs in 2007-08. The Administration estimates a 4.04 percent COLA for K-12 programs, which provides a \$1.4 billion increase for revenue limits and \$516 million increase for categorical programs. The 4.04 percent COLA is proposed for all programs that require a COLA pursuant to state statute or that traditionally receive a COLA. Funding for COLAs provide discretionary funds to K-12 schools.

Growth Adjustments – Decrease in Student Attendance Budgeted. The Governor's Budget assumes an actual decline of K-12 students in 2007-08. Specifically, the budget estimates K-12 average daily attendance (ADA) of 5,918,000 in 2007-08, which reflects a decrease of 23,000 ADA from the revised 2006-07 budget. This ADA decline translates into a negative growth adjustment of 0.39 percent for education programs and generates net savings of approximately **\$87 million** in 2007-08. The 0.39 percent reduction for revenue limits totals \$125 million. Categorical programs receive positive growth of \$38 million because the 0.39 percent reduction does not apply to all categorical programs. As proposed by the Governor, categorical programs clearly tied to ADA rates receive negative growth adjustments, such as special education. The Administration proposes to protect other categorical programs, such as Economic Impact Aid and Foster Youth Services, from attendance losses by budgeting growth at zero rather than -0.39 percent. Other categorical programs with non-ADA based growth formulas receive positive growth funding if student counts are increasing.

Funding Shift – School Transportation. The Governor proposes to shift **\$627 million** in funding for the Home-to-School Transportation program from Proposition 98 General Fund to the Public Transportation Account (PTA). In making this shift, the Administration proposes to rebench the Proposition 98 minimum guarantee downward by \$627 million to reflect the savings in state General Funds. The Governor shifts annual expenditures for the Home-to-School Transportation (regular budget item and deferral item) to the PTA. The Governor includes a 4.40 percent COLA for the Home-to-School Transportation program in 2007-08.

Proposition 98 Increase for Child Care. The Governor proposes to increase Proposition 98 funding for CalWORKS child care by **\$269 million**. The effect is to reduce \$269 million in federal TANF funds for CalWORKS child care programs and instead fund all Stage 2 and Stage 3 child care programs with General Fund Proposition 98 dollars, rather than with the mix of funding sources in effect in past years. The effect is to "free up" \$269 million in TANF funds for other CalWORKS purposes and offset General Fund costs in order to create savings for the state.

Other Ongoing Program Increases: The Governor proposes very few other program increases or adjustments in ongoing Proposition 98 funds beyond COLA and child care in 2007-08. These proposals include:

- **Ongoing Funding for Adult English Language Instruction.** Provides **\$50 million** in ongoing funding for the Community-Based English Tutoring (CBET) program authorized by Chapter 632, Statutes of 2006 (SB 368/Escutia). Chapter 632 requires school districts, as a condition of funding, to provide free or subsidized programs of adult English language instruction to parents and other community members who pledge to provide personal English language tutoring to English learners. Chapter 632 makes funding for the CBET program subject to an annual appropriation in the Budget Act. The Governor's proposal essentially continues \$50 million in annual funding for the adult English language instruction and tutoring implemented pursuant to Proposition 227, as approved by voters in June 1998. Proposition 227 required the state to encourage family members and others to provide personal English language tutoring to children with limited English proficiency. Proposition 227 appropriated \$50 million annually -- over a ten year period ending in 2007 -- for this purpose. Chapter 632 continues the community-based adult English language instruction and tutoring program created by Proposition 227, with some modifications intended to improve the effectiveness of the program.
- **Charter Schools Block Grant:** Provides a **\$24.5 million** increase in funding for the charter school categorical block grant to complete the phase-in of funding reforms enacted in 2005-06. The 2006-07 budget increased funding by \$36 million to implement the first of two increases required by the new statute for the charter school categorical block grant pursuant to Chapter 359, Statutes of 2005. This augmentation reflects a \$500 increase in the categorical block grant level.
- **K-12 High Speed Network.** The Governor provides **\$10.4 million** in Proposition 98 funds for the K-12 High Speed Network in 2007-08. In addition the Governor authorizes \$4.6 million in E-Rate and California Teleconnet Funds and \$596,000 of unexpended cash reserves for the K-12 Network, bringing total expenditure authority to \$15.6 million in 2007-08. The 2006-07 budget provided the same level of funding, but included budget bill language and budget control language the Governor does not propose to continue in 2007-08. This language establishes expenditure standards and reporting requirements recommended by the Bureau of State Audits.
- **Mental Health:** Provides an additional **\$5 million** to the Department of Mental Health for expansion of the Early Mental Health Initiative program. This program provides three-year mental health grants to school sites for early identification and intervention services for students in grades K-3.

One-Time Funding Proposals: Proposition 98 Reversion Funds. The Governor proposes appropriating **\$185.9 million** in one-time funds in 2007-08 from the Proposition 98 Reversion Account for a variety of programs.

- **\$100 million** for the Schools Facilities Emergency Repair program pursuant to the *Williams* settlement agreement as articulated by Chapter 899, Statutes of 2006.
- **\$43.9 million** for the Charter Schools Facility Grant program established by Chapter 892, Statutes of 2001. Of this total, \$20 million is available for 2006-07 costs and \$23.9 million is

available for 2007-08. No charter school would be allowed to receive funds in excess of 75 percent of annual lease costs.

- **\$25.7 million** for CalWORKS Stage 2 child care adjustments.
- **\$8.8 million** for the Teacher Credentialing Block Grant to fully fund teachers participating in the Beginning Teacher Support and Assessment system in the current year.
- **\$5 million** to local education agencies for purchase of State Board approved study materials for students who have failed the California High School Exit Exam (CAHSEE). LEAs would be eligible for funding of up to \$20 for 11th and 12th grade students who have failed one or both parts of the CAHSEE. CDE shall select a vendor or vendors to develop and produce study guide workbooks. Study materials must assist students in mastering standards necessary for passing CAHSEE and must include both a computer based component to individualize student learning and professional development for teachers.
- **\$1.5 million** for a new Compact for Success pilot program between K-12 local education agencies and California State University campuses. The purpose of the program is to increase college-going and college-completion rates for participating students. Funds would be used for six regional partnerships that would develop and implement counseling, planning, mentoring and other related services. Private funds would be required to match state funds for the regional partnerships.
- **\$1 million** for a county office of education to contract with an outside agency to develop and implement an Internet-based information management system statewide and provide training on use of the system. The new system would provide a data management tool for schools that are subject -- or likely to be subject -- to state or federal intervention.

One-Time Funding Proposals – Current Year Proposition 98 Settle-Up Funds. The Governor proposes appropriating **\$72.5 million** in one-time General Funds for Proposition 98 settle-up in 2006-07. These proposals for K-12 Education include:

- **School Enrichment Block Grants.** The Governor proposes **\$50 million** in one-time funding to continue the School Enrichment Block Grant program for low performing schools. This proposal would provide third year funding for low performing schools that may be used for teacher recruitment and retention; building effective leadership; and assuring a safe and healthy school environment. This block grant program was first funded with up to \$49.5 million in one-time funds in 2005-06. Another \$50 million in one-time funds was provided in 2006-07. Funding is proposed at the rate of \$50 per pupil and can be expended for the general purposes of improving the school environment and culture, and may include: assuring a safe and clean environment, providing support services for students and teachers, providing differential compensation for highly qualified teachers and highly skilled principals, small group instruction, and teacher and administration collaboration time.
- **Teacher Recruitment.** The Governor proposes **\$10 million** in one-time Proposition 98 funds to create the EnCorps Teachers Program. This new program is intended to add 2,000 experienced retirees to the teaching corps. Funds for this new program are

budgeted to the Commission on Teacher Credentialing (CTC). (See following section for the CTC budget.)

- **School Business Officers.** The Governor proposes **\$2.5 million** to fully fund eligible candidates for the School Business Officers Training Program.

Student Data – California Longitudinal Pupil Achievement Data System (CALPADS). The Governor proposes **\$2.5 million** from state and federal sources to support district implementation of the CALPADS.

Teacher Data - The Governor proposes **\$1.1 million** in federal Title II funds to support the development of the California Longitudinal Teacher Integrated Data Education System (CalTIDES).

Other One-Time Funds – Quality Education Improvement Act. The Governor’s Budget Summary indicates that 2007-08 budget includes **\$300 million** to commence implementation of the Quality Education Improvement Act (QEIA). This amount provides **\$268 million** for K-12 schools and **\$32 million** for community colleges in 2007-08. As established by Chapter 751, Statutes of 2006 (SB 1133/Torlakson), the QEIA appropriates \$2.9 billion in Proposition 98 settle-up payments for K-12 schools and community colleges over a seven year period, beginning in 2007-08. For K-12 schools, the QEIA will provide increased student funding over seven years to a portion of schools ranked in the lowest two deciles of the Academic Performance Index. Schools selected to participate will receive \$500 annually per K-3 student, \$900 annually per grade 4-8 students, and \$1,000 annually per grade 9-12 student. Funding is intended to improve student achievement with an emphasis on requirements for reducing class sizes, improving teacher qualifications, and reducing pupil-counselor ratios in high schools.

Career Technical Education: The Governor proposes **\$32 million** for the Community Colleges to expand the Career Technical Education programs. Funding for this increase comes from community college funds available in 2007-08, pursuant to Chapter 751, Statutes of 2006. The Career Technical Education program links K-12 and community college programs to develop better pathways to the workforce and higher education. The Governor proposes to continue an additional \$20 million in funds provided to the Community Colleges in the current year for this purpose. (See Community Colleges section for additional detail.)

State Bond Facilities Expenditures. The Governor’s budget proposes to expend \$6.9 billion in state general obligation bond funds for school facilities including \$2.8 billion in 2006-07 and \$3.8 billion in 2007-08. More than \$3 billion of these funds come from the 2006 school facilities bond (Proposition 1D), approved by statewide last November. Remaining funds are available from earlier state bond acts. The Governor’s budget estimates debt service payments for the K-12 general obligation bond of \$1.9 billion in 2006-07 and \$2.2 billion in 2007-08. These expenses are paid for from the state General Fund (Non-98).

New Ongoing Programs Continued: The Governor proposes to continue funding for several new block grant programs created in the 2006-07 budget, including:

- **Grades 7-12 Counseling:** Provides funding of **\$208 million** to schools to continue funding for the Supplemental School Counseling program. The 2006-07 budget provided \$200 million for this new program to increase counseling services for students in grades 7-12. Priority for counseling services is given to students who are at-risk of not passing or who have not passed the California High School Exit Exam (CAHSEE) as well as students who are at-risk of not graduating high school due to insufficient credits.
- **K-12 Arts and Music Block Grant.** The Governor provides \$109.2 million to school districts, county offices of education and charter schools to continue funding for the Arts and Music Block for students in grades K-12. The 2006-07 provided \$105 million in Music and Arts Block Grants for this program. Funding may be used for a variety of purposes including hiring additional staff, purchasing new materials, books, supplies and equipment; and providing staff development.
- **K-8 Physical Education Block Grant.** The Governor provides **\$41.6 million** in Physical Education Teacher Incentive Grants to K-8 school districts and charter schools to support the hiring of additional credentialed physical education teachers. Grantees will be randomly selected and be equitably distributed based upon school type, size and geographic location. The 2006-07 budget provided \$40 million for this new program.

Other Budget Initiatives: The Governor proposes two initiatives for K-12 schools that are not funded in the budget, including:

- **School Meal Reimbursement Increase.** The Governor proposes to provide an unspecified increase in the reimbursement rate for school meal, breakfasts and lunches, in 2007-08. The Governor does not provide any funding in the budget for this purpose. The Governor proposed a \$37.8 million increase to the meal rate in 2006-07. This level of funding provided funding of 21 cents per meal – an increase of approximately seven cents per meal. This increase was approved by the Legislature in 2006-07, but ultimately vetoed by the Governor because new funding was not tied to improvements in the quality of school meals. Subsequent legislation to appropriate funding for school meals was also vetoed by the Governor. The Governor now proposes to consider meal rate increases in the budget year and tie any increases to legislation to eliminate unhealthy fats and fried foods from school meals.
- **Student Data - School Accountability Report Card (SARC).** The Administration proposes to work with the Legislature, Superintendent of Public Instruction, and other interested parties to redesign the School Accountability Report Card (SARC). These changes are sought to improve the accessibility and quality of school data for parents, the public, educators and policymakers.

Education Mandate Payments Deferred. The Governor proposes to continue the practice of deferring payments for education mandate claims in 2007-08. This practice arose in recent years as a means to achieve short-term budget savings. The annual cost of education mandates is estimated at approximately \$150 million for K-12 schools.

Prior-Year Mandate Payments. The Governor also proposes no additional funding to pay for outstanding prior year education mandate claims. The LAO estimates unpaid prior year claims will total \$273 million for K-12 schools by the end of 2006-07, including annual mandates payments deferred by the 2006-07 budget. The state must eventually pay all claims, once audited and approved. The state must also pay interest on overdue claims, based upon the rate established for the Pooled Money Investment Account.

Backfill Funding for Rural Schools. The Governor proposes a short-term General Fund loan of \$69 million in 2006-07 to backfill the loss of federal aid from the National Forest Area Schools program for schools in rural areas of the state. This loan is paid back in full in the 2007-08 budget.

Federal Carryover Funds for Reading First. The Governor proposes to use **\$15.1 million** in federal Reading First carryover funds for additional schools in currently funded school districts. The Governor's proposal does not allow any of these carryover funds to be used for schools in districts that are not currently participating in the program. The Reading First program provides reading instruction to K-3 students. The Governor vetoed \$15.1 million in the 2006-07 budget, which included \$3.0 million for schools in districts that are not currently participating in Reading First program. The Governor's veto expresses the view that funding should not be provided for new schools in districts that are not currently receiving funding.

State Operations – Restoration of State Board of Education Positions. The Governor's budget proposes to fully restore funding for staff and operations at the State Board of Education in 2007-08. The budget adds **\$1.5 million** in General Funds (Non-98) and **\$53,000** in reimbursements to restore 9.2 staff positions and other operating expenses for the State Board. The Legislature eliminated all funding for the State Board's staff and expenses in the 2006-07 budget in response to State Board actions on English/Language Arts curriculum as it affects the availability of instructional materials for English learners.

Issues

In assessing the Governor's education package overall, the Legislature may want to consider the following issues and questions:

1. **Limited New, Ongoing Funding for Schools Beyond COLAs.** The Governor's budget provides limited discretionary Proposition 98 funding for K-12 schools in the 2007-08 budget. Most new, ongoing funding in 2007-08 is directed to COLAs for education programs. The Governor provides discretionary increases for child care, adult English tutoring and several other smaller programs. The Governor's budget does not include funds to increase school meals reimbursements, although this is identified as one of the Governor's initiatives in 2007-08. If COLA rates increase at May Revise, additional discretionary funding will be need to be redirected from other new discretionary program proposals or a deficit factor will be created for COLAs.

2. **Student Growth in Third Year of Decline.** The Governor's budget estimates that the number of students attending school in California is declining statewide for the third year in 2007-08. The Governor's budget actually reflects negative growth for all revenue limit programs and some categorical programs in 2007-08. This decline presents many challenges to schools. It will be important to understand more about how different state programs account for student workload changes. In addition, it will be important to look at the effects of declining enrollment on school districts statewide. Current law holds school districts harmless from enrollment losses for one-year. According to the Department of Finance, the cost of this hold harmless provision is \$500 million in 2007-08.
3. **Federal Funding – Will Losses Continue?** Federal education funds for California declined in 2006-07, and until last November, were expected to decline further in 2007-08. It is unclear what affect the new leadership in Congress will have on the level of education funding to states in 2007-08. The Governor's budget basically proposes 2007-08 federal funding for K-12 education at 2006-07 levels. Federal funds will be updated at May Revise to reflect new amounts in the federal Labor, Health and Human Services (HHS), and Education appropriations bill for federal fiscal year 2007, once it is passed by Congress and signed by the President.
4. **What Happens for Students Who Have Not Passed CAHSEE?** The graduating class of 2006 was the first group of students in California that were required to pass the California High School Exit Exam (CAHSEE) in order to graduate from high school. Students begin taking the exam in 10th grade. The exam includes two tests – English Language Arts and mathematics. While passage rates have been increasing for students planning to graduate, significant numbers of students in the class of 2006 did not pass CAHSEE. The Governor's Budget continues **\$72.4 million** supplemental instruction funding for 11th and 12th graders who have not passed CAHSEE. However, it will be important to understand what happened to students in the class of 2006 who did not pass CAHSEE.